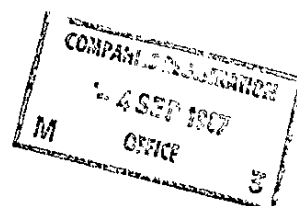


NESTOR-BNA LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31st DECEMBER 1986

---



## NESTOR-BNA LIMITED

### CHAIRMAN'S STATEMENT

It gives me great pleasure to present the report and financial statements for the period ended 31st December 1986, a very important year for Nestor-BNA and its subsidiaries and also for its management and employees.

#### THE MANAGEMENT BUY-OUT

As can be seen from the Directors' Report the company was formed early last year as a holding company. I would like to emphasise, however, that only this holding company is relatively new because its subsidiaries have been running successfully for many years. The principal subsidiaries are:

##### Nursing Agency

British Nursing Co-operations Limited. (Trading as the British Nursing Association, or BNA)

##### Nursing Homes

Nestor Medical Services Limited  
Nestor Nursing Homes Limited  
Ticehurst House Private Clinic Limited

##### Doctors Deputising

Liverpool Locums Limited  
Birmingham Locums Limited

These and other minor subsidiaries were often in the past generally referred to as the Nestor Medical Group.

On 30th April 1986, the management, advised by Henderson Crosthwaite, bought this group for a total sum of £15 million. The buy-out was institutionally-led and included £9 million of equity which was underwritten on completion by Investors in Industry plc and the Prudential Assurance Company Limited. Subsequently, shares were placed with them and a number of other leading institutional investors.

The remaining £6 million was made up of overdrafts and a term loan from National Westminster Bank plc with some further loans from Investors in Industry plc and the Prudential Assurance Company Limited.

44 members of management participated in the buy-out, 28 of whom were doctors, nurses or paramedical staff. Management's share of the equity represented 11% at the time of the buy-out and can rise to 15% of the total equity depending upon performance.

#### PROGRESS

I am delighted to be able to report excellent progress in 1986 contributed to by all three of the group's main activities. The operating profits of the subsidiary companies currently comprising the Group amounted in total to £2,597,000 for the 12 months ended 31st December 1986 (1985: £1,782,000) - an increase of over 45%.



NESTOR-BNA LIMITED

CHAIRMAN'S STATEMENT - (Continued)

OUTLOOK

A major element in the group's activities is care of the elderly. The ageing of the population, together with greater demand for private health care generally and pressure on NHS resources, should produce not only increase in this sector but also a flow of opportunities for all Nestor-BNA companies to provide their services to a larger market.

In my foreword to the Interim Report in June last year I spoke of the dedication and enthusiasm within the group and also of the high morale. These factors continue and together with the spreading business of the group (including the national coverage of BNA) and the experience and expertise of its management and employees form a firm foundation on which we intend to build in the future. As a first step the acquisition of On Call Limited, a small but profitable doctors' deputising service in St. Helens, is expected shortly, which will usefully broaden our base in that sector.

R.H. BURTON  
Chairman

1st April 1987

## NESTOR-BNA LIMITED

### DIRECTORS' REPORT

The directors have pleasure in submitting their report and the consolidated financial statements for the period 27th February 1986 to 31st December 1986.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on 27th February 1986 as Foldeagle Limited and its name was changed to Nestor-BNA Limited on 18th April 1986. Since then it has operated as an investment holding company. On 30th April 1986, as a result of a management buyout, it purchased Nestor Medical Personnel Limited, Nestor Medical Services Limited and Nestor Medical Deputising Group Limited and their subsidiaries from Eagle Star Holdings Plc. These businesses operate in various sectors of the health care field and have all continued to make progress during the eight months since acquisition. Further growth is expected in 1987.

#### RESULTS AND DIVIDENDS

The profit and loss account on page 7 shows results for the full year, with a subsequent deduction for pre-acquisition profits prior to the purchase of the subsidiaries.

The group profit for the eight-month period after taxation amounted to £945,000. Dividends of £218,000 on the Preferred Ordinary Shares and £8,000 on the 'A' Ordinary Shares were declared and paid on 1st October 1986 in accordance with the special rights attaching to these shares. Following payment of these dividends the transfer to reserves is £719,000. The directors do not recommend the payment of a further dividend.

#### FIXED ASSETS

Information relating to the changes in fixed assets is given in Note 11 to the financial statements. This incorporates the valuation carried out prior to acquisition of the subsidiaries.

#### DIRECTORS

The directors who served during the period were:

	<u>Date of Appointment</u>
R.H. Burton (Chairman)	27th May 1986
M.G. Rogers (Managing)	14th March 1986
J. Priestley	14th March 1986
J.J. Cockburn	14th March 1986
E.A. Barton	27th May 1986
R.J.O. Bridgeman	27th May 1986
H.J. Hann	20th November 1986

The following directors were appointed on 24th April 1986, resigned on 30th April 1986 and were re-appointed on 20th November 1986:

P. Punter  
M.H.D. Smith

# NESTOR-BNA LIMITED

## DIRECTORS' REPORT - (Continued)

### DIRECTORS - (Continued)

The following directors were appointed on 24th April 1986 and resigned on 30th April 1986:

L.M. Austen	P.D.V. Gwinner
S. Baker	J. Harvey
F.M. Baker	E.M. Hobday
L.M. Bawtree	P.M. Holliday
S.K. Beaumont	J.P.N. Jaeger
J.H. Bissell	P.M. Jeyes
G.M. Black	G.M. May
D.S. Clout	K.K. Mittel
V.E.L. Codd	D.I. Morris
S.M. Cooper	M.H. Nin
M. A. Curry	G. Norton
J. Daniel	G.P. Owen
R.M.L. Davies	K.F. Payne
E.A. Deacon	M.P. Sargent
A. Drury	J.E.M. Sparke
J.A. Edwards	V.E.R. Stanford
M.L. Emsley	V.G. Stow
J.G.A. Fitzgerald	L.M. Turner
S. Gray	

The following director was appointed on 27th February 1986 and resigned on 14th March 1986:

D.S. Hodgson

### DIRECTORS' INTERESTS

The following directors who were directors at 31st December 1986 held the following shares in Nestor-BNA Limited as at 31st December 1986:

	<u>Number of 'A' Ordinary Shares</u>	
	At 31st December 1986	At date of most recent appointment
M.G. Rogers	329,474	-
J. Priestley	158,454	-
J.J. Cockburn	19,214	-
P. Punter	52,561	52,561
M.H.D. Smith	52,561	52,561
R.J.O. Bridgeman	5,000	5,000

### CHANGES IN SHARE CAPITAL DURING THE PERIOD

The company was incorporated with an Authorised Share Capital of £100. On 30th April 1986, this was increased to £100,350 comprising:

8,550,000 Cumulative Redeemable Convertible Preferred Ordinary Shares of 1p each.

1,056,943 'A' Ordinary shares of 1p each

428,057 Ordinary Shares of 1p each

NESTOR-BNA LIMITED

DIRECTORS' REPORT - (Continued)

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations in excess of £200 were made during the period.

CLOSE COMPANY STATUS

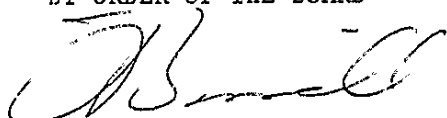
The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

AUDITORS

The directors appointed Deloitte Haskins & Sells as auditors for the period ending 31st December 1986.

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Deloitte Haskins & Sells as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



J.H. BISSELL  
Secretary  
Hatfield  
1st April 1987

AUDITORS' REPORT TO THE MEMBERS OF  
NESTOR-RNA LIMITED

We have audited the financial statements on pages 5 to 20 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 1986 and of the profit and source and application of funds of the group for the period then ended and comply with the Companies Act 1985.

*Deloitte Haskins & Sells*

DELOITTE HASKINS & SELLS  
Chartered Accountants  
London  
1st April 1987

NESTOR-BNA LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
For the period ended 31st December 1986

	Notes	1986 (See Note 1) £000	1985 (See Note 2) £000
TURNOVER	3	11,678	9,443
Cost of Sales		<u>(4,817)</u>	<u>(4,271)</u>
		6,861	5,172
Other operating costs		<u>(4,264)</u>	<u>(3,390)</u>
OPERATING PROFIT	4	2,597	1,782
Interest (net)	7	<u>(445)</u>	<u>460</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,152	2,242
Taxation	8	<u>(608)</u>	<u>(962)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,544	1,280
Pre-Acquisition Profit	1, 23	<u>(599)</u>	<u>-</u>
PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY	9	945	1,280
Dividends Paid	10	<u>(226)</u>	<u>(955)</u>
RETAINED PROFIT FOR THE PERIOD	19	<u>719</u> =====	<u>325</u> =====



NESTOR-BNA LIMITED AND SUBSIDIARIES

BALANCE SHEETS

As at 31st December 1986

	Notes	GROUP 1986 £000	COMPANY 1986 £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	11	6,455	-
Investments	12	-	10,435
		<u>6,455</u>	<u>10,435</u>
<b>CURRENT ASSETS</b>			
Stock	14	67	-
Debtors	15	4,689	4,805
Cash at Bank and In Hand		87	1
		<u>4,843</u>	<u>4,806</u>
<b>CURRENT LIABILITIES</b>			
Creditors - Amounts falling due within one year	16	3,728	375
<b>NET CURRENT ASSETS</b>		<u>1,115</u>	<u>4,431</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,570</u>	<u>14,866</u>
Creditors - Amounts falling due after more than one year	16	6,000	6,000
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	17	28	-
		<u>1,542</u>	<u>8,866</u>
<b>CAPITAL AND RESERVES</b>			
Called-up Share Capital	18	96	96
Non-distributable reserves	19	816	8,173
Profit and loss account	19	630	597
		<u>1,542</u>	<u>8,866</u>

The financial statements on pages 5 to 20 were approved  
by the Board of Directors on 1st April 1987 and  
were signed on its behalf by:

M.G. ROGERS

) Directors

P. PUNTER

)

NESTOR-BNA LIMITED

SOURCE AND APPLICATION OF FUNDS  
For the period ended 31st December 1986

	1986 £000
SOURCE OF FUNDS	
Profit before taxation after deduction of pre-acquisition profits	1,318
Items not involving the movement of funds -	
Depreciation of tangible fixed assets	331
Profit on disposal of fixed assets	(5)
FUNDS GENERATED FROM OPERATIONS	<u>1,644</u>
FUNDS FROM OTHER SOURCES	
Proceeds of disposals of tangible fixed assets	59
Issue of Shares	9,100
Loans	6,000
TOTAL SOURCE OF FUNDS	<u>16,803</u>
APPLICATION OF FUNDS	
Net assets acquired	3,557
Purchase of tangible fixed assets	719
Cost of goodwill on acquisition of subsidiaries	7,357
Cost of purchased goodwill	89
Taxation paid	244
Dividends paid	226
Costs incurred in connection with acquisition of subsidiaries	831
Repayment of loans to Eagle Star	3,585
TOTAL APPLICATION OF FUNDS	<u>16,608</u>
NET SOURCE OF FUNDS	<u>195</u> =====
Represented by net increase in working capital since acquisition of subsidiaries	<u>195</u> =====

Summary of the effects of the acquisition of subsidiary companies:

		£000
Assets acquired:	Net assets	3,557
	Goodwill	7,357
		<u>10,914</u>
		=====
Discharged by:	Shares issued	9,100
	Loans reserved	1,814
		<u>10,914</u>
		=====

## NESTOR-BNA LIMITED

### ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting.

#### Basis of consolidation

The group financial statements comprise a consolidation of the accounts of the company and all its subsidiaries. As more fully explained in Note 1, the full year's result for the 12 months ended 31st December 1986 of the subsidiaries acquired on 30th April 1986 as part of the management buy-out have been consolidated from 1st January 1986, with a subsequent deduction of pre-acquisition profit shown on the face of the profit and loss account.

For practical reasons the financial statements of certain subsidiaries are made up to 2nd January 1987, being the nearest Friday to 31st December and represent the operations of those companies for 53 weeks.

#### Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the group. It is the group's policy to maintain its properties in a state of good repair, and in the case of freehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold properties.

Other fixed assets are written off by equal annual instalments over their anticipated useful lives of between four and eight years.

#### Stocks

Stocks are valued at the lower of cost and net realisable value.

#### Deferred taxation

Deferred taxation is provided on the liability method in respect of all timing differences between profits as stated in the accounts and as computed for taxation purposes where it is probable that the liability will crystallise.

#### Goodwill

Goodwill arises when the consideration paid for a business or company exceeds the fair value of the net tangible assets acquired. Goodwill arising is normally written off immediately against reserves at the date of acquisition. In some circumstances goodwill is included as an asset on the balance sheet, and amortised through the profit and loss account over its useful economic life, generally taken to be 20 years.

#### Contributions to Pension Funds

Contributions to pension funds are determined on the basis of recommendations made by independent qualified actuaries, and are charged to profit and loss account as such contributions become payable.

# NESTOR-BNA LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31st December 1986

### 1. PRE-ACQUISITION PROFIT

Nestor-BNA Limited was incorporated on 27th February 1986 and subsequently acquired on 30th April 1986 the subsidiaries now owned by the Company. The directors consider that it is more meaningful to include under each heading within the consolidated profit and loss account the results of the subsidiaries acquired in the buy-out for a full year from 1st January 1986 and to show separately a deduction in respect of the profits attributable to the period from 1st January to 29th April 1986, an analysis of which is shown in Note 23. Notes to the consolidated profit and loss account include information in respect of the subsidiaries for 12 months ended 31st December 1986.

### 2. CORRESPONDING AMOUNTS

For comparability corresponding amounts shown in the consolidated profit and loss account and notes thereto are based on a combination of the audited accounts for the 12 months ended 31st December 1985 of the subsidiary companies currently comprising the Group. In view of the changes in the capital structure of the Group subsequent to the management buy-out the directors do not consider that proforma comparative information in respect of the balance sheet would be meaningful.

### 3. TURNOVER

Turnover represents the amounts invoiced net of value added tax, except for the nursing agency division whose turnover figure represents commission and placement fees receivable net of value added tax. The amount attributable to each market supplied was:

	1986 £000	1985 £000
United Kingdom	11,555	9,382
Other countries	123	61
	<u>11,678</u>	<u>9,443</u>
	=====	=====

If the total amounts invoiced net of value added tax by the nursing agency division were included in turnover, the turnover shown would be £36,874,000 (1985: £28,686,000).

NESTOR-BNA LIMITED

NOTES TO THE ACCOUNTS - (Continued)

4. OPERATING PROFIT

	1986 £000	1985 £000
Operating profit is stated after charging/(crediting):		
Depreciation	331	284
Plant hire	66	66
Auditors' remuneration	45	39
Rent	244	206
Profit on sale of tangible fixed assets	(5)	(14)
	===	===

5. EMPLOYEES

	1986 £000	1985 £000
Wages and salaries	4,401	3,527
Social security costs	328	262
Other pension costs	110	93
	<u>4,839</u>	<u>3,882</u>
	=====	=====

The average number of persons employed by the Group during the year was

Number	Number
832	763
===	===

The number of UK employees other than directors whose emoluments excluding pension contributions were in excess of £30,000 was:

	1	1
£30,001 - £35,000	2	1
£35,001 - £40,000	1	2
£40,001 - £45,000	===	===

NESTOR-BNA LIMITED

NOTES TO THE ACCOUNTS - (Continued)

6. DIRECTORS' REMUNERATION

	1986 £000
Staff costs include the following remuneration in respect of directors of Nestor-BNA Limited:	
Fees	-
Other emoluments (including pension contributions)	115
	<u>115</u>
	===

The directors' remuneration disclosed above (excluding pension contributions) includes amounts paid to:

The Chairman	6
The Highest Paid Director	47
	<u>==</u>

The number of other directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	Number
£0 - £ 5,000	42
£ 5,001 - £10,000	1
£20,001 - £25,000	1
£25,001 - £30,000	1
	<u>==</u>

7. INTEREST (NET)

	1986 £000	1985 £000
Payable:		
Bank loans, overdrafts and other loans repayable within five years by instalments	(332)	(71)
Other loans repayable wholly or in part after five years	(187)	-
	<u>(519)</u>	<u>(71)</u>
Receivable:		
Bank	22	-
Other	52	531
	<u>74</u>	<u>531</u>
	<u>(445)</u>	<u>460</u>
	===	===
Interest (net)		

# NESTOR-BNA LIMITED

## NOTES TO THE ACCOUNTS - (Continued)

### 8. TAXATION

	1986 £000	1985 £000
UK Corporation Tax at 36.25% (1985: 41.25%)	821	875
Deferred tax	(237)	69
Adjustment in respect of prior years	24	18
	<u>608</u>	<u>962</u>
	===	===

The taxation charge for the year has been reduced in respect of timing differences arising from excess capital allowances over depreciation.

### 9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY

	£000
Dealt with in the accounts of the holding company	823
Retained by subsidiary companies	122
	<u>945</u>
	===

### 10. DIVIDENDS PAID

	£000
Preferred Ordinary Shares (2.55p per share)	218
'A' Ordinary Shares (0.773p per share)	8
	<u>226</u>
	===

### 11. TANGIBLE FIXED ASSETS

<u>GROUP</u>	<u>Land and buildings</u> £000	<u>Plant and equipment</u> £000	<u>Total</u> £000
COST			
In respect of new subsidiaries	4,873	1,918	6,791
Additions	138	581	719
Disposals	(28)	(327)	(355)
	<u>4,983</u>	<u>2,172</u>	<u>7,155</u>
At 31st December 1986			

# NESTOR-BNA LIMITED

## NOTES TO THE ACCOUNTS - (Continued)

### 11. TANGIBLE FIXED ASSETS - (Continued)

	Land and buildings £000	Plant and equipment £000	Total £000
DEPRECIATION			
In respect of new subsidiaries	14	656	670
Charge for the period	10	321	331
Eliminated in respect of disposals	(24)	(277)	(301)
	<u>—</u>	<u>—</u>	<u>—</u>
At 31st December 1986	<u>—</u>	<u>700</u>	<u>700</u>
NET BOOK VALUE			
At 31st December 1986	<u>4,983</u>	<u>1,472</u>	<u>6,455</u>
	=====	=====	=====

Additions, disposals and depreciation charge, all relate to the period 1st January to 31st December 1986.

Land and buildings owned by the companies acquired were valued as at 25th March 1986 by John D. Wood, Chartered Surveyors, on the basis of existing use. The net book value of assets held at 31st December 1986 is represented by:

	Freehold land and buildings £000	Plant and machinery £000	Total £000
At 1986 valuation	4,845	—	4,845
At cost	138	1,472	1,610
	<u>4,983</u>	<u>1,472</u>	<u>6,455</u>
	=====	=====	=====

If land and buildings had not been valued they would have been included in the accounts of subsidiary companies at 31st December 1986 at the following amount:

	1986 £000
Cost	<u>3,020</u>
	=====

No tangible fixed assets are held by the holding company.

### 12. CAPITAL COMMITMENTS

#### GROUP

Capital expenditure that has been contracted for but has not been provided for in the accounts

Capital expenditure that has been authorised by the directors but has not yet been contracted for

1986  
£000

29  
==

340  
==



NESTOR-BNA LIMITED

NOTES TO THE ACCOUNTS - (Continued)

13. FIXED ASSET INVESTMENTS

COMPANY

	1986 £000
Investments in subsidiaries at cost	10,914
Dividends from pre-acquisition earnings	(479)
	<u>10,435</u> =====

The following principal subsidiary companies are wholly owned, operate in, and are incorporated in Great Britain:

<u>Company</u>	<u>Business</u>
British Nursing Co-operations Limited (Trading as the British Nursing Association, or BNA)	Nursing Agencies
Nestor Medical Services Limited ) Nestor Nursing Homes Limited ) Ticehurst House Private Clinic Limited )	Nursing Homes
Liverpool Locums Limited ) Birmingham Locums Limited )	Doctor Deputising Services

14. STOCKS

	<u>GROUP</u> 1986 £000	<u>COMPANY</u> 1986 £000
Consumables	67 ==	- ==

15. DEBTORS

Amounts falling due within one year:

	<u>GROUP</u> 1986 £000	<u>COMPANY</u> 1986 £000
Trade debtors	4,314	-
Amounts owed by subsidiaries	-	3,255
Other debtors	25	-
Prepayments and accrued income	350	-
Dividends receivable	-	1,346
Corporation tax	-	204
	<u>4,689</u> =====	<u>4,805</u> =====

NESTOR-BNA LIMITED

NOTES TO THE ACCOUNTS - (Continued)

16. CREDITORS

Amounts falling due within one year:

	<u>GROUP</u> <u>1986</u> £000	<u>COMPANY</u> <u>1986</u> £000
Bank overdrafts	849	-
Trade creditors	1,558	-
Amounts owed to subsidiaries	-	351
Corporation tax	862	-
Other taxation and social security	175	-
Other creditors	266	24
Accruals and deferred income	18	-
	<u>3,728</u>	<u>375</u>
	=====	=====

Amounts falling due after more than one year:

Bank loan	4,000	4,000
Other loans	2,000	2,000
	<u>6,000</u>	<u>6,000</u>
	=====	=====

The bank loan, overdrafts and other loans are secured by floating charges over the group's assets and fixed charges over certain properties. The bank loan is repayable by instalments between 30th April 1988 and 30th April 1994 as follows:

	£000
Between one and two years	614
Between two and five years	1,842
In five years or more	1,544
	<u>4,000</u>
	=====

Interest on the bank loan is payable at 1.50% over LIBOR (London Inter Bank Offered Rate), and on the other loans at 3.25% over LIBOR.

In consideration for advancing the other loans, warrants have been granted to the lenders to subscribe at any time for 427,721 Ordinary shares in aggregate at a subscription price of £1 per share, such price being adjusted for any redemptions of preference shares.

17. DEFERRED TAXATION

	<u>Amount provided</u>	
	<u>Group</u>	<u>Company</u>
	<u>1986</u>	<u>1986</u>
	£000	£000
Arising on acquisition of subsidiaries	265	-
Transfer to profit and loss account	(237)	-
	<u>28</u>	<u>-</u>
	=====	=====
Total potential liability	236	-
	=====	=====

NESTOR-BNA LIMITED

NOTES TO THE ACCOUNTS - (Continued)

18. CALLED-UP SHARE CAPITAL

The company was incorporated with an Authorised Share Capital of £100 comprising 100 Ordinary Shares of £1 each. On 18th April 1986 the Authorised Share Capital was increased to £100,350, the shares were sub-divided to one penny each and into the classes set out below. The subsequent issue of shares to finance the acquisition of subsidiaries, resulted in the following issued Share Capital:

	1986 £000
Authorised:	
8,550,000 Cumulative Redeemable Convertible Preferred Ordinary Shares of 1p each	85
1,056,943 'A' Ordinary Shares of 1p each	11
428,057 Ordinary Shares of 1p each	4
	<hr/> 100
	===
Allotted Called-Up and fully paid:	
8,550,000 Cumulative Redeemable Convertible Preferred Ordinary shares of 1p each, issued at £1 each	85
1,056,943 'A' Ordinary shares of 1p each, issued at 52p each	11
	<hr/> 96
	===

19. RESERVES

	Share premium account £000	Merger reserve £000	Profit and loss account £000
<u>Group</u>			
Premium on shares issued during the period	839	8,165	-
Preliminary expenses written off	(831)	-	-
Retained profit for the period	-	-	719
Goodwill arising on consolidation written off	-	(7,357)	-
Goodwill acquired in period written off	-	-	(89)
	<hr/> 8	<hr/> 808	<hr/> 630
At 31st December 1986	===	=====	===
<u>Company</u>			
Premium on shares issued during the period	839	8,165	-
Preliminary expenses written off	(831)	-	-
Retained profit for the period	-	-	597
	<hr/> 8	<hr/> 8,165	<hr/> 597
At 31st December 1986	===	=====	===

# NESTOR-BNA LIMITED

## NOTES TO THE ACCOUNTS - (Continued)

### 19. RESERVES - (Continued)

The company has taken Merger Relief under S.131 of the Companies Act 1985. It allotted in exchange for shares in subsidiaries, Preferred Ordinary shares and 'A' Ordinary shares at a premium totalling £8,165,000, which has been placed to Merger Reserve, reduced in the consolidated financial statements by a write-off of goodwill arising on consolidation.

The profit of the holding company for the period ended 31st December 1986 is made up as follows:

	£000	£000
Dividends receivable		1,187
Bank interest received		2
		<hr/>
		1,189
Less: Loan interest payable	507	
Operating expenses	63	(570)
	<hr/>	<hr/>
		619
Tax credit		204
		<hr/>
		823
Dividends paid		(226)
		<hr/>
		597
		<hr/>

Dividends receivable are stated after deduction of £479,000, representing dividends received from subsidiaries from pre-acquisition profits (Note 13).

### 20. CONTINGENT LIABILITIES

The company has given guarantees to bankers in respect of overdraft facilities of £700,000 available to its subsidiary companies.

### 21. OTHER FINANCIAL COMMITMENTS

The group has numerous premises operated under leases whose terms, conditions and length of expiry vary considerably. The aggregate annual rental of these premises amounts to £244,000.

### 22. PENSION COSTS

Employees who are eligible for membership join the Nestor Medical Group Limited Retirement Benefits Scheme. The Scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme.

The manager of the Scheme is the Eagle Star Insurance Company. The Pension Actuary of the Eagle Star Insurance Company has carried out an actuarial valuation of the Scheme at 30th April 1986, and concluded that at that date the assets of the Scheme would have been sufficient to cover the liabilities arising in respect of preserved benefits and accrued benefits based on pensionable service to, and pensionable earnings at, the date of valuation.

The actuary has recommended a future contribution rate of 11.1%, including members' contributions of 5%, in order to meet future pension liabilities.

NESTOR-BNA LIMITED

NOTES TO THE ACCOUNTS - (Continued)

23. PROFIT AND LOSS ACCOUNT

As stated in Note 1, the information set out in the Profit and Loss Account represents a full year's trading for the subsidiaries acquired as a result of the management buy-out. The profit and loss account for the Group is analysed as follows:

	<u>Pre-Acquisition</u> £000	<u>Post-Acquisition</u> £000
Turnover	3,546	8,132
Cost of sales	(1,422)	(3,395)
	<u>2,124</u>	<u>4,737</u>
Other operating expenses	(1,342)	(2,922)
	<u>782</u>	<u>1,815</u>
Operating profit	-	(519)
Interest payable	52	22
Interest receivable	<u>834</u>	<u>1,318</u>
Profit before taxation	(235)	(373)
Taxation	<u>599</u>	<u>945</u>
Profit after taxation	=====	=====

Note 7 gives further details of interest payable and receivable. The post acquisition interest payable relates mainly to loans taken out to finance the acquisition of the subsidiaries.